

## HOUSE COMMITTEE ON GENERAL GOVERNMENT

February 16, 1999 Hearing Room D

1:15 p.m. Tapes 19 - 22

**MEMBERS PRESENT:** Rep. Carl Wilson, Chair

Rep. Jason Atkinson, Vice-Chair

Rep. Chris Beck, Vice-Chair

Rep. Jo Ann Bowman

Rep. Ryan Deckert

Rep. Steve Harper

Rep. Ron Sunseri

Rep. Terry Thompson

**MEMBERS EXCUSED:** Rep. Bruce Starr

**STAFF PRESENT:** Cara Filsinger, Administrator

Faye D. Trupka, Administrative Support

**MEASURE/ISSUES HEARD:** HB 2636 Public Hearing

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
TAPE 19, A		

005	Chair Wilson	Opens meeting at 1:15 p.m. and opens public hearing on HB 2636.
<b><u>HB 2636 PUBLIC HEARING</u></b>		
010	John DiLorenzo	Attorney, representing Harsch Investment Corporation. Testifies in support of HB 2636 with proposed amendment ( <b>EXHIBIT A</b> ).
050	DiLorenzo	Reads written testimony.
100	DiLorenzo	Continues reading written testimony.
149	DiLorenzo	Continues reading written testimony.
198	DiLorenzo	Continues reading written testimony.
249	Harold Schnitzer	President, Harsch Investment Corporation ( <b>EXHIBIT A, tab 2</b> ). Gives personal history of construction of low income housing. States that in 1979 he contracted with HUD for building low income housing in the City of Portland. Explains Section 8 subsidy program. States that in 1981, the rules for Section 8 projects were changed, so there was a limitation on return to the owners. Remarks that it is inappropriate to redefine the terms of existing contracts as imposed by the passage of Portland's new housing ordinance. States existing Section 8 units should be maintained and make it attractive for owners of such properties to stay with the program.
302	Schnitzer	States that with the expiration of existing contracts with the Department of Housing and Urban Development (HUD), that the renewal of Section 8 contracts at fair rates is a critical issue. Says that overall public opinion that Section 8 housing owners are getting rich is not true.
347	Schnitzer	States owners are not opposed to the development and operation of housing for low income. Cites the income of the majority of Section 8 tenants is approximately \$300 per month.
<b>TAPE 20, A</b>		
010	Schnitzer	Remarks that Portland's housing ordinance attempts to subvert the state's condemnation laws and to force owners to sell under penalties amounting to in excess of \$30,000 per unit. States that his family owns 451 units that are Section 8. States that if contracts expire or the company is unable to negotiate renewals from HUD, they would be forced to pay \$13,530,000. States the tenant relocation costs under the ordinance would be an additional charge.
69	Schnitzer	Offers that owners may be induced to continue contracts if reasonable economic returns are available by extending the tax abatement program. Suggests depreciation allowances, which would be granted to owners based upon an appraisal for a 15 year period. Suggests the City of Portland devote money to the

		purchase of properties to provide low income housing.
98	Schnitzer	States that HB 2636 sends a clear message to all local governments that they should not place the entire burden upon a small group of individuals when housing is a concern that should be born by society as a whole.
146	Rep. Thompson	Asks if the City of Portland ordinance would prevent any future investment by HUD.
157	Schnitzer	Responds that HUD is not issuing any more certificates for project based construction. States HUD is issuing Section 8 vouchers for existing dwellings.
168	Rep. Thompson	States there is a demand for low income housing.
173	Schnitzer	Responds that this type of housing will need to be built and owned by the government because of the lack of profit for owners.
210	Rep. Bowman	Comments on Mr. Schnitzer's long association with HUD and that the City of Portland would have the first option of purchasing that property at the fair market value.
236	Schnitzer	Replies affirmatively, but mentions the city's interpretation of fair market value differs from the owners.
250	Rep. Bowman	Remarks that an appraisal will be done for each individual property. Asks why a state certified appraiser would not be appropriate to give a fair market value of property.
256	Schnitzer	Replies that an appraiser is chosen from the city's list. States if the owner does not like the appraisal, they can choose another appraiser from the city's list. Urges the city to acquire properties by condemnation. States the city has refused to do so.
284	Rep. Bowman	Asks why the 90-day notice is not an appropriate time period to notify people that a contract with HUD would not be renewed.
300	Schnitzer	Responds that he has no problem with notification to tenants.
306	Rep. Bowman	Asks if he has a way to work with the City of Portland, so there would be a win-win situation. Questions if his company has filed a lawsuit against the City of Portland.
321	Schnitzer	Replies no.

322	Rep. Bowman	Asks if a compromise might be reached.
326	Schnitzer	Responds that he has offered to do so. States the owners were turned down.
331	Rep. Beck	Comments that the City of Portland has benefited from public and private decisions made to update the city. Asks if under the current appraisal process, will he still benefit with two appraisals.
376	Schnitzer	Replies that his business is developing and owning apartment properties. States that if he must sell to the city, then he would have to find another property to invest in.
<b>TAPE 19, B</b>		
008	Rep. Beck	Asks about the condemnation process and the advantages.
015	Schnitzer	Gives explanation of condemnation and process to set property value.
054	Rep. Beck	Comments that the condemnation issue needs further consideration.
056	Rep. Sunseri	Expresses his concern about the number of investors who want to build affordable housing.
065	Schnitzer	Replies that the Portland ordinance is driving away investment.
094	Rep. Bowman	Asks if the State of Oregon will continue to back mortgages.
099	Schnitzer	Responds yes.
101	Erik Sten	Commissioner, City of Portland. Opposes HB 2636. <b>(EXHIBIT B)</b> . Expresses the loss of the units will be costly. States that if a better way to appraise the buildings can be found, they are in favor of that.
148	Sten	States that the highest and best use of the building in most cases will be a hotel.
195	Sten	States that the 90-day notice is a reasonable time frame. Comments that the city has the right to make an offer.
235	Sten	States that the cost to replace these units is four times as much as the fine. States the City of Portland would welcome any improvements to their ordinance. Mentions two bills that Rep. Kafoury has introduced which ask for authority to give tax incentives.

331	Rep. Thompson	Asks if it was the differences between appraisals which got the Savings and Loans and the Federal government into trouble.
358	Sten	States the city's list is broad-based professionals within the state. Comments the city would welcome suggestions on how to improve the appraisal process.
387	Rep. Beck	Comments that it is because of the Savings and Loans issue that the appraisal industry became more standardized.
407	Rep. Sunseri	Remarks on appraisals regarding refinancing versus sale of property.
416	Rep. Deckert	Asks how many votes that Mr. Sten received in his election.
<b>TAPE 20, B</b>		
005	Sten	Replies 200,000.
013	Rep. Deckert	Asks if he was reelected after the ordinance was passed.
015	Sten	Replies that he was reelected one month after the ordinance decision was made.
016	Rep. Deckert	Questions whether his proper role as a legislator should be making rules for the City of Portland.
023	Sten	Replies it is hard to define proper roles. States that the passing of the ordinance was not done lightly.
037	Rep. Bowman	Asks if property owners were involved in developing the ordinance.
039	Sten	Replies affirmatively.
040	Rep. Bowman	Asks if he has been involved in conversations with HUD.
041	Sten	Responds yes.
053	Rep. Sunseri	Comments on effect on owners. States that the units belong to a private owner not the City of Portland.
069	Sten	Replies that he was speaking about the subsidies from HUD.
083	Martha McClennan	Housing Program Manager, Bureau of Housing and Community Development,

		City of Portland. Explains appraisal and the negative impact of the passage of HB 2636. States under the ordinance, the owner selects the appraiser. Mentions that no owners have given them notice ( <b>EXHIBIT C</b> ).
123	McClennan	States that HUD has been changing the rules repeatedly, making it hard on the owners. Comments that the city shares that frustration.
165	McClennan	Explains current tenants' transition voucher and their frustration in not being able to find affordable housing under Section 8.
170	Rep. Sunseri	Asks why the city has established value using the highest and best use appraised value.
175	McClennan	Replies the highest and best market value is specified in the ordinance and is from the National Appraisal Institute.
180	Sten	Comments that the city would adopt a better approach to appraisal.
195	Gretchen Miller Kafoury	Former City of Portland Commissioner. Opposes HB 2636 ( <b>EXHIBIT D</b> ) . States Portland's affordable housing need is for approximately 35,000 units.
240	Kafoury	Gives history of Roosevelt Apartments. States that city and social service agencies stepped in to provide assistance to 58 tenants who were displaced, 47 of which were very low income tenants.
260	Chair Wilson	Asks why the condemnation process is not being used.
265	Kafoury	Replies that a number of owners felt the new ordinance was a more predictable process.
276	Sten	Comments on possibility of losing HUD contracts that are trying to be saved. States that condemnation process takes a long time.
290	Rep. Thompson	Asks if the commissioner met with Mr. Schnitzer to try to work out the problems.
296	Sten	Replies yes.
301	Rep. Thompson	States his concerns for constituents whose property may be condemned by the local government.
314	Kafoury	Responds that chances are the ordinance will not be used in another jurisdiction.

320	Rep. Thompson	Replies that a situation might arise in the future with this kind of ordinance.
325	Sten	Responds there must be a public purpose, which would off-set the private purpose, in order to pass an ordinance of this kind.
<b>TAPE 21, A</b>		
032	Sten	Gives example of powerful property owner overturning local laws.
034	Rep. Deckert	Responds that elections are in place to handle these situations.
043	Kafoury	Comments that both sides of any issue need to be examined.
046	Sten	Comments that Portland's ordinance was a big issue in Portland. Requests a committee hearing be held in Portland.
066	Rep. Beck	Asks if the city has the resources to buy buildings.
071	Sten	Replies that they have purchased some.
099	Rep. Beck	Asks about the negotiation process. Requests more information on the \$30,000 per unit penalty.
102	Sten	Replies the City of Portland is contacting building owners and having discussions.
118	Rep. Beck	Asks further about the \$30,000 penalty.
121	Kafoury	Replies that it costs \$100,000 to replace these units.
131	Rep. Beck	Asks if an owner tears down his building, can they recoup their losses.
141	Sten	Responds that the fine is imposed when a change of use is being pursued.
151	David Hunnicutt	Director of Legal Affairs, Oregonians in Action. Supports HB 2636 ( <b>EXHIBIT E</b> ). States the condemnation provisions of ORS Chapter 35 are in place to make sure that we do not lose an adequate supply of affordable housing.
198	Hunnicutt	Explains arbitration process. Comments it is cheaper and easier for the land owner and local government to go to circuit court.

230	Hunnicut	Questions \$30,000 penalty.
250	Hunnicut	Cites page 3 ( <b>Exhibit E</b> ) editorial from the Oregonian.
290	Rep. Bowman	Asks who was involved in drafting HB 2636.
291	Hunnicut	Responds that he does not know who else was involved in drafting other than himself and Mr. DiLorenzo. States the bill provides for notice from owners prior to opting out of programs.
304	Sharon Fleming-Barrett	Oregon Apartment Association, Inc. Supports HB 2636 ( <b>EXHIBIT F</b> ). Explains that the City of Portland's ordinance will have a negative effect on the development of future housing.
<b><u>TAPE 22, A</u></b>		
005	Fleming-Barrett	Expresses belief that \$30,000 per unit is unjust. Urges support of HB 2636.
065	Margaret Isaacs	Resident, Park Terrace Apartments, Portland. Opposes HB 2636. Explains the changing demographics of Park Terrace and the history of Section 8 contracts. Notes the difficulty in obtaining and understanding information ( <b>EXHIBIT G</b> ).
125	Isaacs	Expresses concern about eliminating the Portland ordinance and the resulting financial and emotional effects on low-income tenants. Describes the history of the enactment of the Portland ordinance.
174	Diane Luther	Executive Director, Northwest Housing Alternatives. Opposes HB 2636 ( <b>EXHIBIT H</b> ). Explains history of association and states they own six Section 8 properties. States that 50,000 low income units around the country have been lost.
199	Luther	Explains non-profit ownership.
256	Theresa Flowers	Elders in Action. Testifies that because of a long-term disability she has lived in low-income housing. Explains her difficulties in emotionally and physically adjusting to her change of income and housing. Opposes HB 2636.
326	Chair Wilson	Closes public hearing on HB 2636 and adjourns meeting at 3:55 p.m.

Submitted By, Reviewed By,



Faye D. Trupka, Cara Filsinger,  
Administrative Support Administrator

**EXHIBIT SUMMARY**

**A ñ HB 2636, written testimony, John DiLorenzo and Harold Schnitzer, 34 pp.**

**B ñ HB 2636, written testimony, Erik Sten, 8 pp.**

**C ñ HB 2636, written testimony, Martha McLennan, 5 pp.**

**D ñ HB 2636, written testimony, Gretchen Miller Kafoury, 2 pp.**

**E ñ HB 2636, written testimony, David Hunnicutt, 3 pp.**

**F ñ HB 2636, written testimony, Sharon Fleming-Barrett, 2 pp.**

**G ñ HB 2636, written testimony, Margaret Isaacs, 3 pp.**

**H ñ HB 2636, written testimony, Diane Luther, 13 pp.**